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Part I - STRICTLY CONFIDENTIAL

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AGRICULTURE AND NATIONAL DEFENSE

SUMMARY OF CABLES ON FOREIGN DEVELOPMENTS: HUNGARY: Even if exports of bread grain and flour are prohibited it is expected that supplies will be exhausted before the next harvest. Recent floods damaged about a half million acres sown to wheat and rye. Additional floods are expected this spring. Reserve stocks of barley, corn, oats, and hay are also low and are nearing exhaustion. Expectations are that the food situation will grow progressively worse during the next 3 months even if German demands for Hungarian products were to cease entirely.

DENMARK: No serious foodstuff shortage is foreseen up to July 1, 1941, but meat rationing will probably be introduced during the early summer. Moreover there may be a lowering in the quality of bread in order to conserve grain for feeding. A further reduction of 25 percent for pigs, of 40 percent for chickens, and 50 percent for cattle compared with present numbers is anticipated by July 1. Such a reduced animal population, it is expected, can be fed by feedstuffs produced in Denmark, such as feed grains, fodder beets, potatoes, hay, and substitutes for imported feedstuffs made from mussels, fish products, heather, and cellulose.

Normal supplies of nitrogenous fertilizers and potash salts for 1941-42 winter and spring sowings apparently have been assured by reason of increased shipments from Norway and Germany, thus offsetting the loss of natural manure and Chile saltpeter. However, stocks of superphosphates are barely sufficient to cover needs for spring fertilizing of bread grains alone.

The January hog census shows a total of 1,968,000 head, a reduction of 10 percent in the past 6 weeks. Young and fat pig numbers are declining but sow numbers are increasing. Pig slaughterings amount to from 50,000 to 60,000 weekly. By summer it is expected that this number will be reduced to about 40,000. Only barren cows, so far as possible, will be slaughtered, according to present plans, but the extent of actual slaughtering will depend largely on German needs.

SWITZERLAND: The reserves in Switzerland of animal fodder have been estimated at 3,000,000 tons, which is greatly in excess of Swiss requirements. It is likely therefore that further substantial exports will be made.

GERMANY: An increase of 1/16 kilogram in the cheese ration, making the total allotment for the period 1/4 kilogram, is the only change in rations of principal foodstuffs for the period March 10, 1941 to April 6, 1941. The special allotment of 125 grams of rice will be repeated during the new rationing period and a special grant of 125 grams of artificial honey will also be made. Provision is again made for the distribution of 100 grams of butter schmalz, but in the event retailer's stocks of this product are exhausted 125 grams of margarine will be apportioned instead. It was emphasized that no additional deliveries of butter schmalz would be made to the retailers. Migetti, a product made chiefly from potatoes and whey, and similar to rice in appearance, and brotary-nahrung, a bread-like product, have been added to the list of rationed foodstuffs. The first named may be obtained on the cards for bakers' products, and the second on the bread cards.

UNITED STATES DEPARTMENT OF AGRICULTURE
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Part II - FOR ADMINISTRATIVE USE ONLY

AGRICULTURE AND NATIONAL DEFENSE

Arnon L. Mehring, BPI fertilizer expert, has been assigned to the NDAC for three months where he will assist Dr. P. H. Groggins, in Chester Davis' office, as a consultant on fertilizers. Every effort is being made to protect fertilizer supplies during the emergency period, and to avoid a repetition of the shortage and high prices of the World War period.

Fertilizer requirements are centered about the "big-three"--nitrogen, phosphoric acid, and potash. Here is the situation in brief:

NITROGEN: Important not only to agriculture, nitrogen is the basis for explosives. Stepping up munitions manufacture calls for larger supplies of nitrates. A recent survey shows that the U.S. is now producing enough to take care of fertilizer needs. There also is enough to take care of munition needs at the rate of manufacture during the World War. The large part of our nitrates are manufactured synthetically from air. Previous to the defense program there were two large fixation plants operating, one at Hopewell, Va., and the other at Bell, W. Va. Under construction are plants at Morgantown, W. Va., which will be operated by Dupont, and at Wilson Dam, to be operated by TVA. Other plants, possibly smaller units located further inland, are under consideration.

NITROGEN SITUATION NOW IS ONE OF SECURITY. We have all we need and can expand rapidly. This is in sharp contrast to the last World War when only Germany had developed the direct synthesis process commercially. Ample natural nitrates were available in Chile, but cargo space then, as now, was at a premium.

POTASH: At the beginning of the World War we were entirely dependent upon Germany for our potash supplies. Prices skyrocketed from about \$150 to about \$500 per ton. A search for U.S. deposits was immediately begun. As a result of this earlier search the U.S. now is entirely self-sufficient in potash, although at the beginning of the present War we were still importing 40 percent of our supplies. Largest potash deposits are near Carlsbad, N. Mex., and Searles Lake, Calif.

PHOSPHATES: With the largest deposits in the world, and technical improvements increasing its service to farmers, the phosphates situation is of little worry. There are deposits in the northwest sufficient to last for several thousand years. The recent phosphate investigation in Florida, where 75 percent of present domestic supplies are obtained, and some exported, shows the situation is much better than was thought before the investigation. It is estimated that these deposits will last for several hundred years.

SUMMARY OF FOREIGN DEVELOPMENTS: UNITED KINGDOM: The Ministry of Supply indicated that an announcement is likely to be made soon to the effect that the Government has decided to become the sole importer of all growths of raw cotton. It is contemplated that the services of the Liverpool and Manchester Cotton Associations will be used in the purchase and ultimate distribution of raw cotton. The question of what is to be done with respect to the futures market and unfilled contracts is now under consideration.

By a recently announced reduction of textile distribution to domestic retailers in the United Kingdom to 20 percent of last year's quantities in the case of cotton and to 40 percent in the case of rayon mill production of textiles is likely to be only 50 percent of normal while raw cotton consumption will range around 35,000 bales weekly against average 57,000 bales during the first half of the season.

BELGIUM: Since the capitulation of the Belgian army a complete reorganization of the economic machinery of the nation has been decreed under German influence. The old Belgian liberalism in trade and industry has been replaced by a system of corporative institutions. Among these is the National Corporation for Agriculture and Foodstuffs Trade, providing for the compulsory affiliation of all firms and individuals which produce, prepare, transform, or deal in farm products and foodstuffs and raw materials for agriculture, such as fertilizers. Ten groups have been set up under this particular Corporation, such as bread and feed grains, dairy products, livestock and meats, groceries, etc. Each group has dictatorial powers under the Ministry of Agriculture for the regulation of markets, control of stocks, fixing of prices, etc. Similar corporative institutions have been established for coal, iron and steel, nonferrous metals, chemicals, oils, textiles, leather, etc.

JAPAN: Indications are that Governmental control over the supply and distribution of wheat and other grain is to be tightened, especially with reference to securing crops harvested by farmers.

FRANCE: Figures relating to the interchange of farm products between the occupied and unoccupied zones during the period October 20, 1940 to October 19, 1941, provided for in the Franco-German agreement, were made available by the Minister of Foreign Affairs. It was pointed out that the division of cultivation between the regions in the free zone and the occupied zone made commercial exchanges between these two zones imperative, and that if the trade between them were suppressed the whole of France would "enter a state of complete asphyxiation" within a short period. It was stated also that the agricultural structure of France and North Africa was such as to make an interchange of farm products between those two areas similarly imperative.

CHINA: Present indications point to a substantial increase in raw cotton prices due to the difficulty of importing cotton from abroad. This factor, together with Japanese efforts to encourage production expansion within the yen bloc, is expected to result in a considerable expansion in Chinese cotton planting for next season's crop. Moreover, the present low water mark of the Yangtze, which is likely to result in a water shortage for rice, is likely to cause a considerable shift from rice to cotton in occupied Central China.

NEW ZEALAND: Production of nearly all types of primary products in the current season continues to show substantial gains over 1939-40, a development which is in line with the Government's wartime program to increase New Zealand's export output. Butter graded for export in the first 5 months of the current season (August 1 to December 31, 1940) totaled 78,372 long tons, an increase of 16.26 percent over the first 5 months of the 1939-40 season. Cheese export grading in the same period totaled 57,336 long tons, an increase of 39.31 percent over the corresponding period in 1939-40.

